

Message Text

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16

ACTION EA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 NEA-10 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FEA-01 PA-01 PRS-01 /125 W

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R 240820Z DEC 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1917

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY PARIS

AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL MEDAN

AMCONSUL SURABAYA

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EO 11652: N/A

TAGS: ENRG ID

SUBJ: PETAMINA REORGANIZATION

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REF: JAKARTA 14166

1. SUMMARY: LOCAL DAILES OF DECEMBER 22 CARRY REPORTS OF PRESIDENTIAL DECREE NO 44 CONCERNING PERTAMINA REORGANIZATION. DECREE, EFFECTIVE DECEMBER 6, REORGANIZES BOARD OF DIRECTORS, CREATES NEW INSPECTOR POST, AND PLACES LIMITATIONS OF FORMATION NEW AFFILIATES AND JOINT VENTURES. END SUMMARY

2. KEY POINTS OF DECREE INCLUDE:

A. REORGANIZATION OF PERTAMINA BOARD OF DIRECTORS: DIRECTORATES OF SHIPPING AND PORTS AND SHIP MAINTENANCE ARE MERGED INTO ONE DIRECTORATE-SHIPING AND TELECOMMUNICATIONS. NEW DIRECTORATE, GENERAL AFFAIRS, IS FORMALLY ESTABLISH. OTHER FOUR DIRECTORATES REMAIN SAME AS BEFORE. EXPLORATION AND PRODUCTION, REFINING, DOMESTIC MARKETING, AND FINANCE. DECREE SPELLS OUT MUCH GREATER MANAGEMENT ROLE FOR BOARD AND REQUIRES PRESIDENT DIRECTOR GEN IBNU ON BEHALF OF BOARD, TO SUBMIT PERIODIC WRITTEN REPORTS TO GOI BOARD OF COMMISSIONERS (WHICH REMAINS UNCHANGED.) COMMENT: DECREE MAKES NO MENTION OF STAFFING ARRANGEMENTS. PRESUMABLY THOSE HEAD OF DIRECTORATES WHICH REMAIN UNCHANGED WILL CONTINUE ON IN THEIR PRESENT POSITIONS. IR WIJARSO, WILL TAKE OVER GENERAL AFFAIRS DIRECTORATE. WHILE RETAINING HIS PRESENT POSITION IN MINMINES.

B. NEW INSPECTORATE POSITION: DECREE CREATES NEW POST OF INSPECTOR WHO WILL HAVE BROAD MANDATE TO OVERSEA WHOLE OF PERTAMINA'S OPERATION. INSPECTOR WILL REPORT DIRECTLY TO GEN IBNU. COMMENT: RUMORS LIST GEN HASAN HABIB, CURRENTLY ARMY CHIEF OF STAFF FOR ADMINISTRATIVE AFFAIRS, AS LEADING CONTENDER FOR THIS POSITION. HABIB WOULD PROBABLY BE BEST QUALIFIED SINCE HIS RECENT WORK AS DIRECTOR OF SPECIAL PERTAMINA BUDGET FINANCE AND COORDINATION COMMITTEE HAS PROVIDED HIM WITH BROAD INSIGHT IN PERTAMINA'S OPERATIONS. INSPECTOR WILL APPARENTLY FUNCTION AS SORT OF "WATCHDOG" AND WILL HAVE BROAD POWERS TO SEE THAT POLICY OF BOARD OF DIRECTORS IS CORRECTLY IMPLEMENTED.

C. LIMITATIONS ON NEW AFFILIATES AND JOINT VENTURES: DECREE TIGHTENS UP PROCEDURES BY WHICH PERTAMINA CAN ESTABLISH LIMITED OFFICIAL USE

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NEW SUBSIDIARY AND JOINT VENTURE COMPANIES. PERTAMINA IS AUTHORIZED TO BECOME INVOLVED IN ONLY THOSE ACTIVITIES WHICH DIRECTLY RELATE TO EXPLOITATION OF OIL AND GAS RESOURCES. ALL NEW VENTURES MUST HAVE APPROVAL OF BOARD OF COMMISSIONERS. SIMILARLY, ANY EQUITY FINANCING UNDERTAKEN BY PERTAMINA IN OTHER COMPANIES MUST HAVE WRITTEN APPROVAL BOARD OF COMMISSIONERS. ACCORDING TO DECREE, ALL AFFILIATES OR JOINT VENTURES ESTABLISHED BY PERTAMINA MUST BE SET UP AS LEGAL ENTITIES WITH

CAPITAL AND ASSET STRUCTURES SEPARATE FROM PERTAMINA.
DIRECTORATE OF GENERAL AFFAIRS IS RESPONSIBLE FOR OVERSEEING
ALL "SISTER" COMPANIES. COMMENT: LEGAL AND FOREIGN MARKETING
DIVISION FORMERLY HAD RESPONSIBILITY FOR MANAGEMENT OF
PERTAMINA'S SUBSIDIARIES AND JOINT VENTURES. OBVIOUS INTENT
OF DECREE IS TO PUT AN END TO PERTAMINA'S COST HABIT OF
ACQUIRING PROJECTS/COMPANIES WHICH HAD ONLY VERY TENUOUS
RELATION TO OIL BUSINESS.

3. SOME OBSERVERS HAVE INTERPRET NEW DECREE AS MEANING END OF
IBNU ERA. WHILE THIS MAY BE OVERSTATING IT, DECREE DOES RE-
PRESENT FURTHER ATTEMPT BY GOI TO CURTAIL IBNU'S ROLE IN
PERTAMINA. UNDER NEW ARRANGEMENT, IBNU APPEARS TO BE SANDBAGGED
BETWEEN BOARD OF COMMISSIONERS, ON ONE SIDE, AND INSPECTORATE/
BOARD OF DIRECTORS, ON OTHER; BUT EFFICACY OF NEW DECREE
WILL DEPEND, OF COURSE, ON HOW RIGOROUSLY IT IS ENFORCED
JUST HOW IBNU WILL REACT TO ALL THIS (HE IS PRESENTLY IN
SPAIN) REMAIN TO BE SEEN. RIVES

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